

# **COLTON JOINT UNIFIED SCHOOL DISTRICT**

Audit Report

## **STANDARDIZED TESTING AND REPORTING PROGRAM**

Chapter 828, Statutes of 1997

*July 1, 1997, through June 30, 2004*



**JOHN CHIANG**  
California State Controller

February 2012



**JOHN CHIANG**  
**California State Controller**

February 7, 2012

Robert D. Armenta, Jr., President  
Board of Education  
Colton Joint Unified School District  
P.O. Box 2111  
Colton, CA 92324

Dear Mr. Armenta:

The State Controller's Office audited the costs claimed by the Colton Joint Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$2,139,383 (\$2,143,383 less a \$4,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$514,559 is allowable and \$1,624,824 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs. The State paid the district \$523,814. The amount paid exceeds allowable costs claimed by \$9,255.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www/csm.ca.gov/docs/IRCForm.pdf](http://www/csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: Jaime R. Ayala

Assistant Superintendent of Business Services Division  
Colton Joint Unified School District

Sosan Schaller, Director III  
Fiscal Services and Risk Management  
Colton Joint Unified School District

Gary Thomas, Ed.D., County Superintendent of Schools  
San Bernardino County Office of Education

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School Fiscal Services Division  
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State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Colton Joint Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$2,139,383 (\$2,143,383 less a \$4,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$514,559 is allowable and \$1,624,824 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs. The State paid the district \$523,814. The amount paid exceeds allowable costs claimed by \$9,255.

## Background

Chapter 828, Statutes of 1997, amended Education Code sections 60607, 60609, 60615, and 60630, and added Education Code sections 60640 through 60641, and 60643. Chapter 828, Statutes of 1997, and the implementing regulations at California Code of Regulations, Title 5, sections 850 through 904, established the Standardized Testing and Reporting (STAR) Program related to achievement testing that school districts must administer to pupils in the state.

The STAR Program requires school districts, between March 15 and May 15 of each year, to test all students in grades 2 through 11 with a nationally normed achievement test designated by the State Board of Education. School districts administered the Stanford Achievement Test, Ninth Edition (SAT-9) test in English to all pupils enrolled in grades 2 through 11 from FY 1997-98 through FY 2001-02. The California Achievement Test, Sixth Edition Survey (CAT/6) replaced the SAT-9 test effective for FY 2002-03. School districts administered the CAT/6 test in English to all pupils enrolled in grades 2 through 11 for FY 2002-03 and FY 2003-04. In addition, school districts administered an additional test, the Spanish Assessment of Basic Education, Second Edition (SABE/2), to every Spanish-speaking pupil of limited English proficiency who was enrolled in grades 2 through 11, if the pupil was initially enrolled in any public school in the state less than 12 months prior to the date that the English language SAT-9 test was given. School districts also are required to engage in numerous activities related to test administration and reporting.

On August 24, 2000, the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

**Objective, Scope,  
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Standardized Testing and Reporting Program for the period of July 1, 1997, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Colton Joint Unified School District claimed \$2,139,383 (\$2,143,383 less a \$4,000 penalty for filing late claims) for costs of the Standardized Testing and Reporting Program. Our audit disclosed that \$514,559 is allowable and \$1,624,824 is unallowable.

For the fiscal year (FY) 1997-98 claim, the State made no payments to the district. Our audit disclosed that the \$44,487 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$44,487, contingent upon available appropriations.

For the FY 1998-99 claim, the State made no payments to the district. Our audit disclosed that the \$20,748 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$20,748, contingent upon available appropriations.

For the FY 1999-2000 claim, the State paid the district \$161,849 from the funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the \$103,597 is allowable. The State will apply \$58,252 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

For the FY 2000-01 claim, the State paid the district \$361,965 from the funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the \$107,581 is allowable. The State will apply \$254,384 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

For the FY 2001-02 claim, the State made no payments to the district. Our audit disclosed that the \$109,239 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$109,239, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payments to the district. Our audit disclosed that the \$113,802 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$113,802, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payments to the district. Our audit disclosed that the \$15,105 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$15,105, contingent upon available appropriations.

### **Views of Responsible Officials**

We issued a draft audit report on January 12, 2012. We contacted Sosan Schaller, Director III, Fiscal Services and Risk Management, by telephone on January 25, 2012. Ms. Schaller stated that the district chose not to respond to the audit findings. We followed up with Ms. Schaller via e-mail confirming the telephone conversation. The district responded that "it complied with the requirements of the 'Exit Conference Information' by signing and returning the Management Representation Letter."

### **Restricted Use**

This report is solely for the information and use of the Colton Joint Unified School District, the San Bernardino County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

February 7, 2012

# Schedule 1— Summary of Program Costs July 1, 1997, through June 30, 2004

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1997 through June 30, 1998</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 26,431	\$ 3,987	\$ (22,444)	Finding 1
Test materials, supplies, and equipment	721	-	(721)	Finding 1
Pre-test and post-test coordination	159,620	104,396	(55,224)	Finding 1
Test administration	2,308	33,261	30,953	Finding 1
Reporting and recordkeeping	109,071	4,601	(104,470)	Finding 1
Total salaries and benefits	298,151	146,245	(151,906)	
Materials and supplies:				
Reporting and recordkeeping	-	4,678	4,678	Finding 2
Total direct costs	298,151	150,923	(147,228)	
Indirect costs	14,311	7,984	(6,327)	Finding 3
Total direct and indirect costs	312,462	158,907	(153,555)	
Less offsetting reimbursements	-	(113,420)	(113,420)	Finding 4
Less late filing penalty	(1,000)	(1,000)	-	
Total program cost	\$ 311,462	44,487	\$ (266,975)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 44,487		
<u>July 1, 1998 through June 30, 1999</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,361	\$ 2,893	\$ 1,532	Finding 1
Test materials, supplies, and equipment	721	-	(721)	Finding 1
Pre-test and post-test coordination	163,904	80,691	(83,213)	Finding 1
Test administration	2,308	25,961	23,653	Finding 1
Reporting and recordkeeping	112,196	3,509	(108,687)	Finding 1
Total salaries and benefits	280,490	113,054	(167,436)	
Materials and supplies:				
Reporting and recordkeeping	-	3,542	3,542	Finding 2
Total direct costs	280,490	116,596	(163,894)	
Indirect costs	13,464	4,839	(8,625)	Finding 3
Total direct and indirect costs	293,954	121,435	(172,519)	
Less offsetting reimbursements	-	(99,687)	(99,687)	Finding 4
Less late filing penalty	(1,000)	(1,000)	-	
Total program cost	\$ 292,954	20,748	\$ (272,206)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 20,748		



**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1999 through June 30, 2000</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,394	\$ 2,914	\$ 1,520	Finding 1
Test materials, supplies, and equipment	738	-	(738)	Finding 1
Pre-test and post-test coordination	179,857	85,298	(94,559)	Finding 1
Test administration	2,363	27,286	24,923	Finding 1
Reporting and recordkeeping	123,088	3,678	(119,410)	Finding 1
Total salaries and benefits	307,440	119,176	(188,264)	
Materials and supplies:				
Reporting and recordkeeping	-	3,626	3,626	Finding 2
Total direct costs	307,440	122,802	(184,638)	
Indirect costs	14,757	5,894	(8,863)	Finding 3
Total direct and indirect costs	322,197	128,696	(193,501)	
Less offsetting reimbursements	-	(24,099)	(24,099)	Finding 4
Less late filing penalty	(1,000)	(1,000)	-	
Total program cost	<u>\$ 321,197</u>	103,597	<u>\$ (217,600)</u>	
Less amount paid by the State <sup>2</sup>		(161,849)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (58,252)</u>		
<u>July 1, 2000 through June 30, 2001</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,463	\$ 2,969	\$ 1,506	Finding 1
Test materials, supplies, and equipment	775	-	(775)	Finding 1
Pre-test and post-test coordination	202,622	89,437	(113,185)	Finding 1
Test administration	2,482	28,758	26,276	Finding 1
Reporting and recordkeeping	138,471	3,878	(134,593)	Finding 1
Total salaries and benefits	345,813	125,042	(220,771)	
Materials and supplies:				
Reporting and recordkeeping	-	3,599	3,599	Finding 2
Total direct costs	345,813	128,641	(217,172)	
Indirect costs	17,152	6,381	(10,771)	Finding 3
Total direct and indirect costs	362,965	135,022	(227,943)	
Less offsetting reimbursements	-	(26,441)	(26,441)	Finding 4
Less late filing penalty	(1,000)	(1,000)	-	
Total program cost	<u>\$ 361,965</u>	107,581	<u>\$ (254,384)</u>	
Less amount paid by the State <sup>2</sup>		(361,965)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (254,384)</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2001 through June 30, 2002</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,500	\$ 2,977	\$ 1,477	Finding 1
Test materials, supplies, and equipment	794	-	(794)	Finding 1
Pre-test and post-test coordination	192,841	90,602	(102,239)	Finding 1
Test administration	18,406	28,978	10,572	Finding 1
Reporting and recordkeeping	131,244	4,252	(126,992)	Finding 1
Total salaries and benefits	344,785	126,809	(217,976)	
Materials and supplies:				
Reporting and recordkeeping	-	4,127	4,127	Finding 2
Total direct costs	344,785	130,936	(213,849)	
Indirect costs	16,584	6,298	(10,286)	Finding 3
Total direct and indirect costs	361,369	137,234	(224,135)	
Less offsetting reimbursements	-	(27,995)	(27,995)	Finding 4
Total program cost	<u>\$ 361,369</u>	109,239	<u>\$ (252,130)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 109,239</u>		
<u>July 1, 2002 through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 208,010	\$ 3,033	\$ (204,977)	Finding 1
Test materials, supplies, and equipment	367	-	(367)	Finding 1
Pre-test and post-test coordination	75,552	93,772	18,220	Finding 1
Test administration	40,807	30,198	(10,609)	Finding 1
Reporting and recordkeeping	80,705	4,470	(76,235)	Finding 1
Total salaries and benefits	405,441	131,473	(273,968)	
Materials and supplies:				
Test materials, supplies, and equipment	46,609	-	(46,609)	Finding 2
Reporting and recordkeeping	-	4,296	4,296	Finding 2
Total materials and supplies	46,609	4,296	(42,313)	
Total direct costs	452,050	135,769	(316,281)	
Indirect costs	23,281	6,992	(16,289)	Finding 3
Total direct and indirect costs	475,331	142,761	(332,570)	
Less offsetting reimbursements	-	(28,959)	(28,959)	Finding 4
Total program cost	<u>\$ 475,331</u>	113,802	<u>\$ (361,529)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 113,802</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2003 through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 336	\$ 2,974	\$ 2,638	Finding 1
Test materials, supplies, and equipment	4,996	-	(4,996)	Finding 1
Pre-test and post-test coordination	-	94,368	94,368	Finding 1
Test administration	-	30,385	30,385	Finding 1
Reporting and recordkeeping	3,364	4,590	1,226	Finding 1
Total salaries and benefits	8,696	132,317	123,621	
Materials and supplies:				
Test materials, supplies, and equipment	5,736	-	(5,736)	
Reporting and recordkeeping	43	4,317	4,274	Finding 2
Total materials and supplies	5,779	4,317	(1,462)	
Total direct costs	14,475	136,634	122,159	
Indirect costs	630	5,944	5,314	Finding 3
Total direct and indirect costs	15,105	142,578	127,473	
Less offsetting reimbursements	-	(29,721)	(29,721)	Finding 4
Subtotal	15,105	112,857	97,752	
Less allowable costs that exceed costs claimed <sup>3</sup>	-	(97,752)	(97,752)	
Total program cost	\$ 15,105	15,105	\$ -	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 15,105		
<u>Summary: July 1, 1997 through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 240,495	\$ 21,747	\$ (218,748)	
Test materials, supplies, and equipment	9,112	-	(9,112)	
Pre-test and post-test coordination	974,396	638,564	(335,832)	
Test administration	68,674	204,827	136,153	
Reporting and recordkeeping	698,139	28,978	(669,161)	
Total salaries and benefits	1,990,816	894,116	(1,096,700)	
Materials and supplies:				
Test materials, supplies, and equipment	52,345	-	(52,345)	
Reporting and recordkeeping	43	28,185	28,142	
Total materials and supplies	52,388	28,185	(24,203)	
Total direct costs	2,043,204	922,301	(1,120,903)	
Indirect costs	100,179	44,332	(55,847)	
Total direct and indirect costs	2,143,383	966,633	(1,176,750)	
Less offsetting reimbursements	-	(350,322)	(350,322)	
Less late filing penalty	(4,000)	(4,000)	-	
Subtotal	2,139,383	612,311	(1,527,072)	
Less allowable costs that exceed costs claimed <sup>3</sup>	-	(97,752)	(97,752)	
Total program cost	\$ 2,139,383	514,559	\$(1,624,824)	
Less amount paid by the State		(523,814)		
Allowable costs claimed in excess of (less than) amount paid		\$ (9,255)		

<sup>1</sup> See the Findings and Recommendations section.<sup>2</sup> Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).<sup>3</sup> Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2003-04.

# Findings and Recommendations

## **FINDING 1— Unallowable salaries and benefits**

The district claimed \$1,990,816 in salaries and benefits costs for the audit period. We determined that \$894,116 is allowable and \$1,096,700 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible costs.

The following table summarizes the unallowable salaries and benefits costs by fiscal year and reimbursable activities:

Cost Categories	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:								
Training policies and procedures	\$ (22,444)	\$ 1,532	\$ 1,520	\$ 1,505	\$ 1,477	\$(204,977)	\$ 2,638	\$ (218,749)
Test materials, supplies, and equipment	(721)	(721)	(738)	(775)	(794)	(367)	(4,997)	(9,113)
Pre-test and post-test coordination	(55,224)	(83,213)	(94,558)	(113,184)	(102,239)	18,220	94,368	(335,830)
Test administration	30,953	23,653	24,922	26,276	10,572	(10,609)	30,385	136,152
Reporting and recordkeeping	(104,470)	(108,687)	(119,410)	(134,593)	(126,992)	(76,235)	1,227	(669,160)
Audit adjustment	<u>\$ (151,906)</u>	<u>\$ (167,436)</u>	<u>\$ (188,264)</u>	<u>\$ (220,771)</u>	<u>\$ (217,976)</u>	<u>\$ (273,968)</u>	<u>\$ 123,621</u>	<u>\$ (1,096,700)</u>

## **Unsupported Costs**

Initially, all claimed salaries and benefits were unallowable because they were not supported. However, we worked with district representatives to develop an alternative reimbursement methodology for determining allowable costs for FY 1997-98 through FY 2003-04. The district's representatives conducted a time survey as a substitute for records of actual time spent on STAR testing activities. The results were applied to the audit period.

## **Time Survey Methodology**

The time survey covered activities that took place during the Spring 2009 testing period. The district interviewed its staff at sampled school sites to determine hours incurred for STAR testing activities. We randomly selected a sample of 8 out of 28 schools in the district: 2 elementary schools, 2 middle schools, 2 high schools, and 2 alternative schools. The sampled school sites represented approximately 28.58% of the schools in the district.

The district identified each reimbursable activity and developed a questionnaire for its staff at the sampled school sites. The district interviewed the site coordinators and other staff members at each school in the sample in our presence. The district used the site interview results to identify time increments for the mandated activities performed during the Spring 2009 testing period.

To support the time surveys, the district provided contemporaneous documentation including agendas, training packets, sign-in sheets, calendars, testing schedules, cumulative files with STAR labels, security affidavits, and data relevant to STAR testing activities performed at the sampled school sites and district's administrative office.

The district summarized the time survey results in the form of summary schedules. The schedules identified the activities performed and the time (hours) assigned to each activity. The district also assigned each activity to a reimbursable component including Training, Policies, and Procedures; Pre-test and Post-test Coordination; Test Administration; and Reporting and Recordkeeping. We reviewed the district's summary of hours to determine whether the hours were allowable and supported by corroborating documentation.

We performed a detailed analysis of the time survey results and reviewed all corroborating documentation submitted by the district. We allowed hours in the survey that were supported by employee's calendars, testing schedules, packing slips, and master file sheets. We did not allow hours reported in the survey that were not supported with corroborating documentation. Additionally, we did not allow hours for activities not identified as reimbursable in the program's parameters and guidelines.

We recalculated the average time increments for each school site by adding up allowable hours and dividing them by the number of students tested at each site during the survey period. We then applied these hours to FY 1997-98 through FY 2003-04. We used the average time increments from each grade level and the District Office to calculate allowable salaries and benefits in each fiscal year.

### **Reimbursable Percentage**

To calculate allowable costs, we multiplied the allowable hours by the allowable productive hourly rates for various district classifications involved in each reimbursable activity. We further calculated the portion of the salaries and benefits attributable to the STAR tests that are reimbursable under the mandate.

The district's STAR costs included the following tests: California Standards Tests (CST); California Alternate Performance Assessment (CAPA); California Modified Assessment (CMA); Stanford Achievement Test, Ninth Edition (SAT/9); California Achievement Test, Sixth Edition Survey (CAT/6 Survey); and Spanish Assessment of Basic Education, Second Edition (SABE/2). The CST, CAPA, and CMA tests are not reimbursable because they were not pled in the test claim that created this mandate. The district accounted for the costs of the STAR tests collectively, without separately indentifying costs by individual test. Consequently, the district claimed costs not reimbursable under the mandate.

To segregate reimbursable costs, we determined the percentages of the tests that related to the mandate based on the number of tests published on the California Department of Education (CDE) STAR website. The reimbursable percentages represented the ratio of mandated tests divided

by all STAR tests administered in the district. We applied the reimbursable percentages to allowable costs. The reimbursable percentages for mandated costs were as follows: 100% for FY 1997-98; 68.90 % for FY 1998-99; 67.76% for FY 1999-2000; 62.25% for FY 2000-01; 63.59% for FY 2001-02; 62.55% for FY 2002-03; and 61.19% for FY 2003-04.

The program's parameters and guidelines, (section V.A.(1)) state:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The parameters and guidelines, (section VI.A.) state that all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities.

### Recommendation

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program's parameters and guidelines and are properly supported with source documents.

### District's Response

The district did not respond to the audit finding.

## **FINDING 2— Overstated materials and supplies costs**

The district claimed \$52,388 in materials and supplies for the audit period. Our audit determined that claimed costs were overstated by a net amount of \$24,203 for the audit period (overstated by \$52,345 and understated by \$28,142).

The following table summarizes the misstated materials and supplies costs by fiscal year and reimbursable activities:

Cost Categories	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Materials and supplies:								
Test materials, supplies, and equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (46,609)	\$ (5,736)	\$ (52,345)
Reporting and recordkeeping	4,678	3,542	3,626	3,599	4,127	4,296	4,274	28,142
Audit adjustment	\$ 4,678	\$ 3,542	\$ 3,626	\$ 3,599	\$ 4,127	\$ (42,313)	\$ (1,462)	\$ (24,203)

For the test materials, supplies, and equipment component, the district claimed unallowable costs totaling \$52,345 for FY 2002-03 and FY 2003-04. The parameters and guidelines indicated that the costs incurred for this component were reimbursable for the period of January 2, 1998 through December 15, 1999. Therefore, the costs totaling \$52,345 for the FY 2002-03 and FY 2003-04 were outside the reimbursable period and not allowable.

For the reporting and recordkeeping component, the district understated costs by \$28,142. The district did not claim reporting and recordkeeping costs for FY 1997-98 through FY 2002-03 and underclaimed costs for FY 2003-04. We calculated materials and supplies expenses related to mailing student test results to parents. We calculated postage costs for the total number of students tested in the district in each fiscal year. We then determined allowable costs by dividing the number of mandated STAR tests by all STAR tests administered, and then multiplying the result by the total supported STAR costs.

The parameters and guidelines (sections IV.B.) state that Test Materials, Supplies, and Equipment costs are reimbursable for the period of January 2, 1998 through December 15, 1998.

The parameters and guidelines (sections IV.E.) state:

The cost of materials and supplies used for reports (including, paper and envelopes), the cost of postage for mailing reports to parents, and the cost of computer programming used for reporting purposes is reimbursable under this activity

The parameters and guidelines (sections V.A.2.) require the district to report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

The parameters and guidelines (sections VI.A) state that all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities.

#### Recommendation

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program's parameters and guidelines and are properly supported with source documents.

#### District's Response

The district did not respond to the audit finding.

### **FINDING 3— Overstated indirect costs**

The district claimed \$100,179 in indirect costs for the audit period. Our audit determined that \$44,332 is allowable and \$55,847 is unallowable. The costs are unallowable because of the direct cost adjustments identified in Findings 1 and 2. The district also misstated indirect costs by a net amount of \$18 (understated by \$740 for FY 1997-98 and overstated by \$758 for FY 1998-99). The misstated costs occurred because the district erroneously claimed the FY 1999-2000 indirect cost rate for FY 1997-98 and FY 1998-99.

The following tables summarize the indirect cost rate variances and indirect cost calculations by fiscal year:

	Fiscal Year	
	1997-98	1998-99
Indirect cost rates:		
Allowable indirect cost	5.29%	4.15%
Claimed indirect cost rate	4.80%	4.80%
Indirect rate adjustments	0.49%	(0.65)%

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Indirect costs:								
Allowable direct costs	\$ 150,923	\$ 116,596	\$ 122,802	\$ 128,641	\$ 130,936	\$ 135,769	\$ 136,634	\$ 922,301
Allowable indirect rate	5.29%	4.15%	4.80%	4.96%	4.81%	5.15%	4.35%	
Allowable indirect costs	\$ 7,984	\$ 4,839	\$ 5,894	\$ 6,381	\$ 6,298	\$ 6,992	\$ 5,944	\$ 44,332
Less claimed indirect costs	14,311	13,464	14,757	17,152	16,584	23,281	630	100,179
Audit adjustment	\$ (6,327)	\$ (8,625)	\$ (8,863)	\$ (10,771)	\$ (10,286)	\$ (16,289)	\$ 5,314	\$ (55,847)

The parameters and guidelines, (section V.B.) state that school districts must use the indirect cost rate approved by the California Department of Education.

#### Recommendation

We recommend that the district ensure that indirect rates it claims agree with CDE approved rates and that indirect costs are mandate-related and appropriately supported.

#### District's Response

The district did not respond to the audit finding.

#### **FINDING 4— Understated offsetting reimbursements**

The district understated the mandate portion of STAR apportionments by \$350,322 for the audit period.

The district did not report the mandate-related portion of annual STAR apportionments it received from the CDE. We calculated the understated reimbursement by:

- Verifying the amounts of annual STAR apportionments received by the district, and
- Multiplying the reimbursable ratio of mandated tests to the number of all STAR tests administered (as identified in Finding 1).



The following table summarizes the understated offsetting reimbursements by fiscal year:

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Offsetting reimbursements apportionments:								
CDE apportionments	\$ 113,420	\$ 144,683	\$ 35,565	\$ 42,475	\$ 44,025	\$ 46,297	\$ 48,571	\$ 475,036
Mandate-related percentage	(100)%	(68.9)%	(67.8)%	(62.3)%	(63.6)%	(62.6)%	(61.2)%	
Audited apportionments	(113,420)	(99,687)	(24,099)	(26,441)	(27,995)	(28,959)	(29,721)	\$ (350,322)
Claimed CDE apportionments	-	-	-	-	-	-	-	-
Audit adjustment	\$ (113,420)	\$ (99,687)	\$ (24,099)	\$ (26,441)	\$ (27,995)	\$ (28,959)	\$ (29,721)	\$ (350,322)

The parameters and guidelines (section VII) state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, service fees collected, federal funds, and other state funds, shall be identified and deducted from the claim.

#### Recommendation

We recommend that the district ensure that all applicable reimbursements are offset on its claims against its mandated program costs.

#### District's Response

The district did not respond to the audit finding.

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